

COPY**INDEPENDENT CONTRACTOR FINISHING AGREEMENT**

THIS IS AN AGREEMENT, made and entered into this 1st day of August, 1998, by and between Land O'Lakes, Inc., a Minnesota cooperative corporation with its principal place of business at 4001 Lexington Avenue North, Arden Hills, Minnesota 55126 (hereinafter "LOL") and doing business as same, with an address at _____ (hereinafter "Producer").

LOL is in the business of finishing feeder pigs with producers who act as independent contractors and finish such pigs for market. Producer is engaged in the business of finishing pigs for market at the premises and facilities described in Exhibit A, attached hereto and made a part hereof (hereinafter "Facilities"). This Agreement establishes the terms and conditions under which the Producer's services are to be provided to finish such pigs for market for LOL.

A. TERM OF AGREEMENT; AUTOMATIC RENEWAL

Unless earlier terminated for default, this Agreement shall continue in force for a period of 6 (six) years commencing with the delivery of the first lot of feeder pigs hereunder, which the parties anticipate will be on or about August 1, 1998. This Agreement shall be automatically renewed for an additional one year period unless one party gives the other party written notice of its intent not to renew at least 60 days prior to the expiration date hereof. However, all feeder pigs delivered prior to applicable expiration date will be finished by Producer in accordance with the terms of this Agreement.

B. OBLIGATIONS OF LOL**1. Delivery of Feeder Pigs**

LOL will provide from time to time, feeder pigs in the quantity, weight, grade and type as determined by LOL and compatible with the use of the Facilities and Producer's production schedule and all in accordance with good husbandry practices. Each delivery shall hereinafter be referred to as a "Lot".

Unless Producer shall notify LOL of any unacceptable feeder pigs within twenty-four hours after delivery, the feeder pigs will be

deemed acceptable as received. Unacceptable feeder pigs are those which are dead, lame, crippled, sick or ruptured as mutually agreed by the parties. LOL will remove unacceptable feeder pigs in a timely fashion.

2. Written Procedures and Continuing Advice

LOL shall deliver to Producer from time to time written procedures, continuing counsel and advice which will establish guidelines and criteria to be followed by Producer in caring for and raising each Lot.

3. Feed and Related Products

LOL shall provide and deliver all feed necessary to care for each Lot. The feed and related products source(s) and type(s) of feed and related products utilized shall be determined by LOL.

4. Animal Health Products and Veterinary Services

LOL shall provide all animal health products and approved veterinary services it deems necessary to care for each Lot. Producer shall administer all such health products to the pigs. Producer shall not provide or administer any additional animal health products or cause additional veterinary services to be administered without the prior approval of LOL.

5. Transportation

LOL shall provide all necessary transportation in the delivery and removal of each Lot to and from the Facilities. Risk of loss to the Lot during such transportation is with LOL.

6. Marketing

LOL will perform all purchasing and marketing functions involving each Lot. LOL shall have the sole authority and responsibility for any and all culling of the pigs.

7. Payment for Services

In consideration for performance hereunder, LOL shall pay Producer as follows:

- A. Base payments: LOL will pay Producer base payments as follows:

The amount due to Producer will be computed and paid quarterly (every 3 months) according to an equal quarterly payment projected to provide a total annual base payment of \$54,000. These payments shall commence on the 15th day of the month following the quarterly anniversary of the contract date, but not sooner than November 15, 1998, and shall be made on the same day of each successive quarter for a total of 24 payments.

- B. Incentive payments: In addition to the base payments, LOL will pay Producer incentives calculated and paid according to the following formula:

a) Feed Efficiency:

If Feed Efficiency (FE) for a Lot is less than the Base Feed Efficiency (see schedule below) Producer will be paid a FE incentive based on the following formula:

$$(((\text{Base Feed Efficiency}) - [\text{FE}]) \times \$0.025) + \$0.00375) \times [\text{pounds gained}]$$

<u>Average Market Weight</u>	<u>Base Feed Efficiency Meal</u>	<u>Base Feed Efficiency Pellets</u>
<220	2.99	2.81
220-229	3.01	2.83
230-239	3.04	2.86
240-260	3.10	2.91
261-270	3.16	2.97
271-280	3.20	3.01
>280	3.21	3.02

Feed efficiency is defined as the amount of feed used by the Lot since placement divided by the saleable weight gain achieved by the Lot.

Saleable weight gain will include all weight sold for which value has been received. Weight of the hogs shall be determined on the buyer's scales.

Example:

Actual FE = 3.00; 250 lb. average weight marketed;
190,000 pounds gained; 960 Head finished; meal feed

- 1) $(3.1-3.00) \times \$0.025 = \0.0025
- 2) $\$.0025 + \$.00375 = \$.00625 = \text{Incentive/pound gained}$
- 3) $\text{Total incentive} = \$.00625 \times 190,000 = \$1,187.50$

b) Weight Gain

If annualized weight gain for a Lot exceeds 490 pounds per head of capacity, Producer will be paid an incentive based on the following formula:

$$(((\text{Total pounds sold}) - (\text{Total pounds placed})) / (\text{Days Open} \times 365) - (490 \times \text{capacity})) \times \$0.007$$

Days open is defined as total days from the day first pigs are placed in Lot through the day last pig is removed from Lot. Capacity is defined under description of Facilities in Exhibit A.

Example:

190,000 pounds gained; Lot open 130 days; base
469,000 pounds annualized weight gain base

$$190,000 / 130 \times 365 = 533,461 = \text{Annualized Weight Gain}$$

$$\text{Incentive Payment} = (533,461 - 469,000) \times \$0.007 = \$451.23$$

c) Premium Production Incentive

If annualized weight gain exceeds 535 pounds per head of capacity and feed efficiency is less than Premium Feed Efficiency (see schedule below) for the Lot, Producer will be paid \$.003 per pound gained in addition to the Feed Efficiency and Weight Gain incentives.

<u>Average Market Weight</u>	<u>Premium Feed Efficiency Meal</u>	<u>Premium Feed Efficiency Pellets</u>
<220	2.85	2.66
220-229	2.87	2.68
230-239	2.91	2.72
240-260	2.95	2.76
261-270	3.01	2.82
271-280	3.05	2.86
>280	3.06	2.87

Incentive payments shall be postmarked within 14 days after the Lot has been closed.

Producer understands and agrees that LOL does not warrant any specific level of performance. Any performance levels utilized in these examples are for purposes of illustration only.

- C. Adjustment for Multiple-Sourced Lots: LOL will pay Producer \$.15 per head delivered for Lots in which pigs were delivered from more than one source. Payment shall be postmarked within 14 days after the Lot has been closed.
- D. Deduct for Inventory Shortages: Producer shall be liable for 100% of any inventory shortages. LOL will deduct the value of any missing inventory from the Producer's compensation payment. Inventory value will be computed at the greater of cost or market for a 240 pound hog at the date the shortage is discovered.
- E. Deduct for Late Cleaning: Producer shall clean and disinfect the Facilities in not more than four (4) days after a Lot has been removed. Failure to comply shall result in a deduction from the quarterly base payment next due of 1/365th of the annual base payment for each late day multiplied by the affected capacity.
- F. In the event of a tornado, fire, wind and or such other casualty which would prevent use of the Facilities, payments shall cease until the Facilities are repaired.

C. OBLIGATIONS OF PRODUCER

Producer's obligations shall include, but not be limited to, the following:

1. Equipment, Facilities, Utilities and Other Inputs

Producer shall provide satisfactory facilities and equipment and shall be responsible for the maintenance and repair thereof. Producer may modify or make additions to the Facilities only with the prior approval of LOL.

Producer's equipment shall include, but not be limited to, LOL-approved loading chute, power washer, water medication equipment, syringes, hog handling equipment, automatic sprinkler systems, heaters, manure handling and removal equipment, high/low

thermometers, automatic curtain systems, bulk feed bins, and adequate refrigeration facilities to store vaccines and medications.

Producer shall provide the utilities necessary to operate the Facilities, including fuel, electricity, lights and water.

Producer shall provide standby electric generation equipment which shall become operational in the event of failure of the primary power source.

Producer shall maintain an all-weather road suitable for hog and feed trucks from the public roads to the Facilities. In the event any of said vehicles should require the services of a wrecker as a result of the deteriorated condition of any road or service area, Producer agrees to pay any and all such wrecker bills.

2. Labor

Producer will provide all labor and supervision to raise each Lot including but not limited to: the administration of all medication and vaccines; castration of boars; assist a LOL retained veterinarian in bloodtesting; sorting pigs for delivery to market; transportation to nearest public road for loading or unloading if farm roads are inaccessible. Producer will provide a minimum of two (2) individuals to load and unload pigs without LOL or trucker assistance. Producer shall ensure that all workers comply with the terms of this Agreement. Producer assumes complete liability for himself and any of his laborers.

3. Maintenance of Records

Producer shall verify and sign delivery receipts for each Lot and other items received from LOL or its agents hereunder and shall maintain accurate, neat and current records as requested by LOL. Such records shall include, but not be limited to, records of Lot performance, daily records of pig mortality, daily temperature readings, inventory of LOL feeds and supplies, and weekly documentation of death loss, pig inventory, feed deliveries and Producer Confirmation Receipts. Such records shall be furnished to LOL and/or be subject to LOL's inspection upon request. Payments under this Agreement will be withheld pending receipt of these records.

4. Care of Pigs

Producer shall provide daily care and management of the pigs consistent with good husbandry practices and in accordance with the then effective standards and recommendations of LOL. Producer shall take any action reasonably requested by LOL to raise each Lot in accordance with the standards of LOL which may be in effect from time to time. Producer will operate the Facilities on an all in, all out basis.

5. Feed Orders

Producer will order from the LOL designated source(s) all feed necessary for each Lot according to rations and feed usage instructions provided by LOL. Feed must be ordered at least 24 hours in advance and in order sizes as specified by LOL.

6. Production Standards

Producer shall maintain an average feed efficiency ratio on any two consecutive Lots less than .2 above the current average value in similar LOL contract facilities and the annualized weight gain on any two consecutive Lots shall be no greater than 30,000 pounds below the current average value in similar contract facilities.

7. Producer Cooperation/Conduct

Producer agrees to cooperate fully with LOL in his performance hereunder and shall refrain from using abusive language and/or behavior, or doing any acts or engaging in any conduct which could negatively impact the image of LOL, the pigs, or the pork industry.

8. Security to Control Disease and Like Hazards

Producer shall take all reasonable steps to control disease and like hazards, including the following:

- (a) shall not allow any other livestock or species, including other swine or poultry, to be in or around the Facilities;
- (b) shall keep the Facilities secure from all pets, including cats and dogs;
- (c) shall not work with or expose himself (or any of his laborers) to any other swine;

11. Notification of Problem(s)

Producer shall immediately notify LOL of any problem that occurs which may materially affect the future performance or financial well being of any of the pigs.

12. Waste Control/Indemnification

Producer hereby assumes full and complete responsibility for environmental hazards or conditions, and associated costs and expenses to remedy or resolve such hazards or conditions, which may be pertinent to the Facilities and the conduct of these operations. Producer shall be solely responsible for compliance with environmental and other laws and resulting liabilities that may be incurred as a result of operation of the Facilities or arising from any judicial or administrative action or ruling concerning the operation of the Facilities, including, but not limited to, operation of a waste control system or waste disposal methods deployed at the Facilities, emission, disposal or pollution complaints. Producer agrees to indemnify and hold harmless LOL and its employees, agents or representatives from and against all claims, actions, damages, losses and expenses direct and indirect, or consequential damages, including, but not limited to, attorney fees and costs, arising out of any environmental law compliance matter or from any and all environmental hazards or conditions pre-existing or subsequently discovered on the Producer's Facilities or arising out of the performance hereof, whether or not presently known to LOL and Producer, or either of them. It is expressly understood and agreed that all manure and waste material generated at, or resulting from operation of, the Facilities shall be the sole property and responsibility of Producer after its creation.

13. Supplies Provided by LOL for Pigs Only

Producer shall use any feed, vaccines, medicines or other supplies furnished by LOL only for raising and caring for the pigs covered by this Agreement and for no other purpose.

14. Availability of Facilities to LOL

Producer shall permit any representative of LOL to enter the Facilities for the purpose of delivering and removing the pigs, feed, medications, supplies and to render counsel and advice and to inspect records as provided herein and to confirm that all obligations hereunder are being met.

- (d) shall not permit any vehicles other than those authorized by LOL to be in or around the Facilities;
- (e) shall not permit any unauthorized people, including visitors, to be in or around the Facilities;
- (f) shall keep available at the Facilities coveralls and boots for LOL production personnel. Such clothing and boots shall be supplied by LOL. Producer shall be responsible for maintaining the clothing and boots in a clean and functional manner.
- (g) Producer shall supply LOL-approved insecticides and other chemicals used in controlling flies, rodents and similar pests and use according to LOL standards.
- (h) Thoroughly wash and disinfect buildings between Lot closeout and next delivery in a timely manner.
- (i) Producer shall keep the Facilities in a clean and orderly condition including but not limited to landscaping, mowing grass and weeds, maintaining acceptable rodent, insect and bird control measures and practices.
- (j) Producer shall provide and maintain sufficient security to limit and reduce problems associated with theft, fire, disease, and loss of pigs. This shall include but not be limited to; locked entrance, gates to Facilities, locked buildings, security light and such other reasonable requests made by LOL.

9. Pigs Restricted to Facilities

Producer shall not remove the pigs or allow the pigs to be moved from the Facilities without the prior approval of LOL.

10. Disposal of Dead Pigs

Producer shall provide for the sanitary disposal of dead pigs in accordance with government regulations. Producer will not allow any rendering truck on the Facilities or on the same driveways or entry road used by LOL vehicles. Producer shall notify LOL of the death of any of the pigs delivered hereunder prior to disposal and within twenty-four (24) hours after death occurs. LOL shall have the right to inspect any such dead pig, and to direct the manner of disposal thereof. If Producer fails to so notify LOL prior to disposal of any such pig, Producer shall be liable to LOL for the replacement value thereof.

15. Conformance with Applicable Regulations

Producer shall raise, feed and care for each Lot in full compliance with all applicable laws, ordinances, rules and regulations, and shall indemnify and hold harmless LOL and its successors and assigns from any liability arising out of any noncompliance with such laws, ordinances, rules and regulations.

16. Insurance and Liability; Indemnification

Producer shall purchase insurance covering liability for damages or injuries caused by the pigs, with limits of at least \$1,000,000 for personal injuries and property damage, and shall provide LOL with a certificate of said insurance which states there will be no material changes or cancellations without at least 15 days prior written notice to LOL. Producer agrees that LOL shall not be liable to Producer for any damages to the Producer's property or injuries caused by the pigs, including but not limited to the infection of other animals or the contamination of the Producer's Facilities. Producer shall be responsible for any claims, damages or injuries caused by the pigs delivered to the Facilities hereunder or Producer's management of the Facilities and hereby indemnifies and holds LOL harmless from any such claims, damages or injuries.

D. OTHER AGREEMENTS

1. Acknowledgment of Confidentiality

Producer hereby agrees to keep confidential the terms and conditions of this Agreement, as well as the information supplied to Producer by LOL hereunder. Producer hereby agrees not to allow any copies of this Agreement or other information to be made without the prior written approval of LOL.

2. Receipt and Familiarity with Recommended Procedures

Producer hereby acknowledges receipt of certain written recommended procedures and verifies that he has read these written procedures, and is familiar with the contents thereof. Producer may from time to time receive additional written recommended procedures, and hereby agrees to read and familiarize himself with the contents thereof in a timely fashion.

3. Additional Training

Producer agrees to attend training courses and seminars that may be offered or recommended by LOL as requested or required by LOL.

4. Ownership of Pigs and Furnished Supplies

The pigs and all feed, vaccines, medicines and other supplies furnished by LOL hereunder are and shall remain the sole property of LOL. Producer shall not appropriate nor permit any other person or entity to appropriate any of the pigs or supplies furnished hereunder. At the request of LOL, Producer shall execute any documents necessary to evidence or protect its title to property delivered hereunder, including UCC-1 informational financing statements.

5. Closeout Inventory of Feed and Supplies

The parties recognize that at the expiration or termination of this Agreement there may remain feed, vaccines, medications and other supplies supplied by LOL to Producer hereunder. Within a reasonable time of termination, the parties shall calculate a closeout inventory of such feed and supplies. Producer shall be responsible for any amounts not accounted for in raising the pigs in the prescribed fashion. Producer shall return the excess feed and supplies to LOL or remit the market value thereof to LOL within 10 days of the closeout calculation.

6. Events of Default

Producer shall be in default upon the occurrence of any of the following events:

- i) Default or failure of Producer to perform any of its obligations under this Agreement;
- ii) Producer preventing or impeding LOL or its authorized representatives from inspecting or examining the Facilities or the pigs;
- iii) Insolvency or bankruptcy of the Producer;
- iv) If LOL determines in its sole discretion that Producer is failing to properly care for or protect the pigs or any of LOL's property located at the Facilities or otherwise in the possession or control of Producer;
- v) The occurrence of any event which in the opinion of LOL endangers or impairs the pigs or LOL's property;
- vi) Any representation or warranty made by Producer on behalf of Producer proves to be incorrect or otherwise misleading; or

- vii) Default by Producer under any other agreement it may have with LOL.

In addition to all other rights and remedies available to it, in the event of default or breach of contract by Producer, LOL reserves the right to:

- a) Give written notice of nonperformance to the Producer and require performance by a given date. If upon the specified date the above notice remains unsatisfied, LOL reserves the right to hire the necessary performance task completed by an outside party and assess all charges against the Producers' compensation payments hereunder.
- b) Take over management of the pigs at the Facilities and deduct all management costs from the compensation payments hereunder. No incentive payments would be made to Producer in this event.
- c) After notice and failure to correct said default, LOL shall have the right to terminate this Agreement and, without further notice and without legal process, to enter upon the Facilities of Producer and (i) remove the pigs from the Facilities, or (ii) if the health or condition of the pigs makes it impractical to remove or market the pigs at that time, to service the pigs at Facility in accordance with LOL standards, all without being guilty of trespass, forcible entry of detainer or other tort. In exercising any of its rights which arise as a result of a default by Producer, LOL may hold Producer liable for all costs thereof, including but not limited to actual expenses for labor and utilities used in servicing the pigs in accordance with this paragraph and reasonable attorneys' fees associated with the exercise of such rights and securing payment for expenses in the exercise thereof. Forbearance to exercise any options under this section with respect to any failure, breach or event of default by the Producer shall not constitute a waiver on the part of LOL of any rights as to any subsequent failure, breach or event of default.

7. Early Termination Caused by Default of Producer; Liquidated Damages

Producer agrees that certain damages suffered by LOL as a result of early termination of this Agreement due to default by Producer hereunder are difficult to estimate or ascertain. Producer agrees that a reasonable forecast of

such damages, in addition to any indemnification responsibilities of Producer hereunder and costs setforth in Section 6c, above, is one year's Base Payment as per Section B7A hereunder.

Accordingly, in the event of a default hereunder by Producer, LOL may terminate this Agreement and Producer agrees to pay upon demand as liquidated damages and not as a penalty, and in addition to any indemnification responsibilities of Producer hereunder and costs setforth in Section 6c, above, one year's Base Payment as per Section B7A.

8. Independent Contractor

Producer is an independent contractor as contemplated by the Agreement and nothing herein or hereunder shall be construed to make the Producer a servant, agent, employee, partner or joint venturer of or with LOL. Producer shall be responsible for withholding taxes, unemployment insurance, workers' compensation insurance and the like in respect of his employees and agrees to pay all taxes on the buildings, equipment and other items he owns.

9. Assignment

No right hereunder shall be assigned by Producer, and no duty delegated, except with the prior written consent of LOL, and any purported assignment or delegation in violation of the foregoing shall be void ab initio. Subject to the foregoing, any permitted assignment or delegation shall not effect a release of the assignor or the delegator, unless the other party expressly grants such a release in writing, and this Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors, assigns and legal representatives of the parties.

10. Interpretation

This Agreement shall be construed in accordance with the laws of the State of Iowa and such laws shall govern the interpretation, construction and enforcement hereunder. Wherever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law. Invalidity of any provision of this Agreement shall not effect the validity of any other provision.

11. Right to Offset

It is understood and agreed that LOL may offset any payments due Producer hereunder against any indebtedness of Producer to LOL.

12. No Waiver of Default

No waiver by LOL of any default shall operate as a waiver of any other default or of the same default on a future occasion.

13. Entire Agreement

This Agreement and the Exhibits attached hereto set forth the entire agreement between the parties and supersedes in all respects any and all prior oral or written agreements or understandings between them pertaining to the transactions contemplated by this Agreement. This Agreement may be amended or modified only by a written instrument signed by the party against which enforcement is sought.

14. Notices

Any notices required or provided for hereunder shall be given as follows:

To LOL: Land O'Lakes, Inc.
ATTN: Vice President of Swine Production Division
2827 8th Avenue South
Fort Dodge, IA 50501

To Producer:



CENEX
LAND O LAKES



Swine Production Division

Reference No.: 101498NW

POLICY

Date: 10/14/98

Policy Number:

Feed Ordering

Due to numerous complaints regarding feed ordering by our producers, the following process is being implemented:

- 1) All feed orders must be made with a minimum 24 hour notice prior to delivery.
- 2) Orders which are placed with less than 24 hours notice on delivery will be assessed a \$5/ton charge for late delivery notice.
- 3) This \$5.00 per ton charge will be taken off the contract producer's payment.
- 4) This policy will be effective October 15, 1998.

Approved: *[Signature]*

Date: 10/16/98

Distribution:

- ☒ Iowa
- ☒ Illinois
- ☒ Missouri
- ☒ OK Hinton
- ☐ TDM
- ☒ OK Dekalb
- ☐ Goldkist
- ☒ Finishing
- ☒ Nursery
- ☒ Accounting
- ☐ PigCHAMP
- ☐ Development
- ☐ Animal Health
- ☒ Purchasing
- ☐ Transportation

Post-It Fax Note	
To	7671
Co/Dept	
Phone #	
Fax #	
Date	11-12-98
Pages	18

IN WITNESS WHEREOF, the parties have executed this Agreement effective the
 day and year first above written.

LAND O'LAKES, INC.

By: _____

Print Name: Maurie Cashman

Its: Director Business Development

PRODUCER

By: _____

Print Name: _____

Its: _____

 Producer Soc. Security Number
 or

 Federal Tax I.D. Number

By: _____

Print Name: _____

Its: _____

 Producer Soc. Security Number
 or

 Federal Tax I.D. Number

Personal Guarantee:

Producer is a corporation-partnership-association from which the undersigned derives substantial benefit. Therefore the undersigned hereby individually and personally guarantees the full performance and hereby agrees to be individually financially liable to LOL for all acts and omissions of the Producer under this Agreement.

Date: _____

contract 12.11.97

EXHIBIT A

Description of Facilities covered under Independent Contractor Agreement:

1. Location

Section _____ Township _____
Town _____ County _____ State _____

2. Further Description

Bldg. 1 Type Total Confinement
Total Capacity 1800
No. of Rooms 4
Capacity/Room 450
No. Pens/Room 20

Bldg. 2 Type _____
Total Capacity _____
No. of Rooms _____
Capacity/Room _____
No. Pens/Room _____

Bldg. 3 Type _____
Total Capacity _____
No. of Rooms _____
Capacity/Room _____
No. Pens/Room _____

Bldg. 4 Type _____
Total Capacity _____
No. of Rooms _____
Capacity/Room _____
No. Pens/Room _____

Land O'Lakes, Inc.

827 8TH AVENUE SOUTH
PORT DODGE, IOWA 50501
TELEPHONE 515-576-7311

Swine Production Division

November 11, 1998

Dear Grower:

In order to improve the efficiency of feed manufacturing and lower our cost of production, we have initiated several changes with the local cooperatives who manufacture feed for us. These changes include increasing our order size, defining new feed manufacturing requirements, and altering the ingredient price structure at the local cooperative level.

These changes have improved our cost as well as our feed quality. These improvements in feed quality have led to improvements in our pig performance. As we have made these changes, the local cooperatives have requested our cooperation as well. Because many of the cooperatives are making efforts to improve the efficiency and cost of their feed manufacturing, they are requesting a minimum 24 hour notice on feed deliveries.

Because of this request, we are instituting the attached policy change regarding the minimum delivery notice on feed. This request is for a 24 hour minimum notice; 48 hours will be preferred. If orders are not made with a 24 hour notice, a \$5/ton fee will be assessed to the grower.

If you have any questions, please call me at extension 2987.

Thank you,

Noel H. Williams
Nutritionist of Swine Production Division

(Received 11/12/98)